

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

HB 2430 - SB 2438

February 11, 2020

SUMMARY OF BILL: Exempts from state and local sales and use tax all sales of gun safes and individual computerized gun safety devices.

ESTIMATED FISCAL IMPACT:

Decrease State Revenue – Net Impact – \$321,300/FY20-21 and Subsequent Years

Decrease Local Revenue – Net Impact – \$131,100/FY20-21 and Subsequent Years

Assumptions:

General Assumptions:

- Exempting sales of gun safes and gun safety devices from state and local sales tax will result in a reduction in state and local sales tax revenue.
- The Department of Revenue (DOR) cannot segregate tax collection data to show sales tax collections received solely due to gun safe and gun safety device sales.
- The current state sales tax rate is 7.0 percent; the average local option sales tax rate is estimated to be 2.5 percent; the effective rate of apportionment to local government pursuant to the state-shared allocation is estimated to be 3.617 percent.

Gun Safes:

- Retail prices for gun safes can range from under \$100 upwards of \$10,000 or more.
- The annual average number of gun safe sales and the average price of gun safes are unknown.
- Taxable sales for gun safes under current law are reasonably estimated to be \$5,000,000 per year in Tennessee.
- A recurring decrease in state revenue of \$337,341 $[(\$5,000,000 \times 7\%) - (\$5,000,000 \times 7\% \times 3.617\%)]$.
- A recurring decrease in local revenue of \$137,660 $[(\$5,000,000 \times 2.5\%) + (\$5,000,000 \times 7\% \times 3.617\%)]$.
- Fifty percent of tax savings, or \$237,501 $[(\$337,341 + \$137,660) \times 50\%]$, will be spent in the economy on other sales-taxable goods and services.
- The recurring increase in state sales tax collections is estimated to be \$16,024 $[(\$237,501 \times 7\%) - (\$237,501 \times 7\% \times 3.617\%)]$.

- The recurring increase in local sales tax collections is estimated to be \$6,539 [(\$237,501 x 2.5%) + (\$237,501 x 7% x 3.617%)].
- The net recurring decrease in state revenue as a result of this bill, beginning in FY20-21, is estimated to be \$321,317 (\$337,341 - \$16,024).
- The net recurring decrease in local revenue as a result of this bill, beginning in FY20-21, is estimated to be \$131,121 (\$137,660 - \$6,539).

Individual computerized gun safety devices:

- Gun safety device, as defined in this legislation means: “Any integral device to be equipped or installed on a firearm that permits a user to program the firearm to operate only for specified persons designated by the user through computerized locking devices or other means integral to and permanently part of the firearm.”
- Based on Fiscal Review Committee staff research, the only such devices are known as “biometric fingerprint trigger locks” and the companies that sell such products or the applicable product lines are relatively new.
- It is therefore estimated that any decrease in state and local sales and use tax collections from gun safety devices will be not significant. It is further estimated that any foregone state and local sales tax collections are estimated to be not significant.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Krista Lee Carsner, Executive Director

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